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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
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EXAMINER	
BAIRD, EDWARD J	

ART UNIT	PAPER NUMBER
3695	

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Please find below and/or attached an Office communication concerning this application or proceeding.

The time period for reply, if any, is set in the attached communication.

Office Action Summary	Application No.	Applicant(s)	
	10/810,107	STAUB, RENATO	
	Examiner	Art Unit	
	Ed Baird	3695	

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE *3* MONTH(S) OR THIRTY (30) DAYS, WHICHEVER IS LONGER, FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

1)☒ Responsive to communication(s) filed on *15 April 2009*.

2a)☐ This action is **FINAL**. 2b)☒ This action is non-final.

3)☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

4)☒ Claim(s) *1-24* is/are pending in the application.

4a) Of the above claim(s) *3* is/are withdrawn from consideration.

5)☐ Claim(s) _____ is/are allowed.

6)☒ Claim(s) *1,2 and 4-24* is/are rejected.

7)☐ Claim(s) _____ is/are objected to.

8)☐ Claim(s) _____ are subject to restriction and/or election requirement.

Application Papers

9)☒ The specification is objected to by the Examiner.

10)☐ The drawing(s) filed on _____ is/are: a)☐ accepted or b)☐ objected to by the Examiner.

Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).

Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).

11)☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

Priority under 35 U.S.C. § 119

12)☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).

a)☐ All b)☐ Some * c)☐ None of:

1.☐ Certified copies of the priority documents have been received.

2.☐ Certified copies of the priority documents have been received in Application No. _____.

3.☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

* See the attached detailed Office action for a list of the certified copies not received.

Attachment(s)

1) ☒ Notice of References Cited (PTO-892)
2) ☐ Notice of Draftsperson's Patent Drawing Review (PTO-948)
3) ☐ Information Disclosure Statement(s) (PTO/SB/08) Paper No(s)/Mail Date _____.
4) ☐ Interview Summary (PTO-413) Paper No(s)/Mail Date. _____.
5) ☐ Notice of Informal Patent Application
6) ☐ Other: _____.

DETAILED ACTION

Continued Examination Under 37 CFR 1.114

1. A request for continued examination under 37 CFR 1.114, including the fee set forth in 37 CFR 1.17(e), was filed in this application after final rejection. Since this application is eligible for continued examination under 37 CFR 1.114, and the fee set forth in 37 CFR 1.17(e) has been timely paid, the finality of the previous Office action has been withdrawn pursuant to 37 CFR 1.114. Applicant's submission filed on **15 April 2009** has been entered.

Status of Claims

2. Applicant has amended claims 1, 12, and 13. No claims have been added. Claim 3 has been canceled. Thus, claims 1, 2, and 4 – 24 remain pending and are presented for examination.

Response to Arguments

3. Examiner acknowledges and accepts amendment to specification [0025] and tables A and B.

4. Applicant's arguments filed 17 February 2009 with respect to claims 1, 2, and 4 – 24 have been considered but are moot in view of the new ground(s) of rejection.

Specification

5. The disclosure is objected to because of the following informalities: The acronyms FIFO and LIFO, instant specification [0019], are not defined.

Appropriate correction is required.

Claim Rejections - 35 USC § 112

6. The following is a quotation of the second paragraph of 35 U.S.C. 112:

> The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.

7. Claims 1, 7 - 9, 12, 13, 17 - 19, and 22 are rejected under 35 U.S.C. 112, second paragraph, as being indefinite for failing to particularly point out and distinctly claim the subject matter which applicant regards as the invention.

8. Regarding **claims 1 and 12**, method claims: there is no recitation of computer in the body of the claims, thus rendering the claims indefinite.

9. Regarding **claims 1, 7, 8, 12, 13, 17, 18, and 22**, "randomly allocating", "allocated randomly", "allocating randomly", and "random allocations" are vague and indefinite.

For purposes of examination, the term "random" or randomly" will be interpreted as not further limiting. Appropriate correction is required.

10. **Claims 1, 12, 13, and 22** recite the limitation:

- rebalancing the investment portfolio **if** the short-term capital gain or loss, which would result from the rebalancing of the investment portfolio, falls within a threshold for short-term capital gains or losses (claim 1, similarly worded in claims 12, 13, and 22)

This is a conditional limitation such that ***if*** the condition does not hold true, no limitation is claimed.

For the purposes of examination, the limitation will be interpreted as being not further limiting. Appropriate correction is required.

11. **Claims 9 and 19** recite the limitation:

- rebalancing the investment portfolio **if** a total short-term capital gain or loss for the year, which would result from the rebalancing of the investment portfolio, falls within a threshold for short-term capital gains or losses.

This is a conditional limitation such that ***if*** the condition does not hold true, no limitation is claimed.

For the purposes of examination, the limitation will be interpreted as being not further limiting. Appropriate correction is required.

Claim Rejections - 35 USC § 101

12. 35 U.S.C. 101 reads as follows:

> Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

13. Claims 1, 2, 4 – 12 and 23 are rejected under 35 U.S.C. § 101 as being directed to non-statutory subject matter.

14. **Claims 1, 2, 4 – 12 and 23,** method claims, are rejected under 35 U.S.C. §101 because, in order to comply with §101 a process/ method must (1) be tied to a particular machine or apparatus, or (2) transform underlying subject matter (such as an article or materials) to a different state or thing.

The methods recited in the claims fail to (1) be tied to a particular machine or apparatus, or (2) transform underlying subject matter to a different state or thing. Diamond v. Diehr, 450 U.S. 175, 184 (1981); Parker v. Flook, 437 U.S. 584, 588 n.9 (1978); Gottschalk v. Benson, 409 U.S. 63, 70 (1972).

There are two corollaries to the machine-or-transformation test. First, a mere field-of-use limitation is generally insufficient to render an otherwise ineligible method claim patent eligible. This means the machine or transformation must impose meaningful limits on the method claim's scope to pass the test. Second, insignificant extra-solution activity will not transform an unpatentable principle into a patentable process. This means reciting a specific

machine or a particular transformation of a specific article in an insignificant step, such a data gathering or outputting, is not sufficient to pass the test.

There is no recitation within the claims to indicate that the steps that comprise the method are nothing but mental steps performed within the mind of a person. Thus, to qualify as a § 101 statutory process, the claim should positively recite the other statutory class (the thing or product) to which it is tied, for example by identifying the apparatus that accomplishes the method steps, or positively recite the subject matter that is being transformed, for example by identifying the material that is being changed to a different state.

Claim Rejections - 35 USC § 103

15. The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

> (a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negatived by the manner in which the invention was made.

16. Claims 1, 2, 4, 5, 9 – 11, 13 – 15, and 19 - 21 are rejected under 35 U.S.C. 103 (a) as being unpatentable over **Schulz et al** (US Patent No. 6,687,681) in view of **Wallman** (US Pub. No. 2003/0229561) in further view of **Arena et al** (US Pub. No. 2002/0174045).

17. Regarding **claims 1 and 13**, **Schulz** teaches:

- identifying at least one investment portfolio security to be sold in connection with a rebalancing of the investment portfolio; and
- rebalancing the investment portfolio *if a threshold is met involving capital gains or losses.*

Schulz discloses a method and apparatus for automatically managing investment portfolios to substantially track a selected index and to automatically harvest tax losses [Abstract]. **Schulz** discloses an accounting system for maintaining tax lot information for individual accounts, an optimization system for rebalancing each account to substantially model the index and for harvesting tax losses, and a trading system for executing trades [Abstract]. **Schulz** further discloses automatic evaluation of investment portfolio for tax loss harvest purposes; a predetermined tax loss threshold for each tax lot [column 2, lines 46-55]. If the difference meets or exceeds the tax loss threshold, the security is automatically sold to provide tax losses for offsetting gains in the portfolio.

Schulz does not specifically disclose:

- randomly allocating the at least one investment portfolio security to at least one of a plurality of tax lots associated with the at least one investment portfolio security to be sold and computing an implied total short-term capital gain or loss that would result from the sale of the at least one investment security from the at least one tax lot:

However, **Wallman** teaches *an interface to an automated portfolio manager system that allows an existing collectively owned investment account to specify its existing assets and the percentage ownership in the account of each of the individual owners of the collective account* [0013]. He further discloses *distributing a folio [sic] of securities held in the collective account, identifying specific tax lots for each owner, and randomly allocating shares to each owner* [see at least 0038 and 0043].

Therefore, it would have been obvious to one having ordinary skill in the art at the time of the instant invention to modify **Schulz's** disclosure to include *identifying specific tax lots and randomly allocating shares to each owner* as taught by **Wallman** because it allows proper tax

reporting [**Wallman** 0046] and allows the portfolio to be divided into whole shares portions [**Wallman** 0038].

Neither **Schulz** nor **Wallman** explicitly discloses:

- rebalancing the investment portfolio if [sic] a short-term capital gain or loss, which would result from the rebalancing of the investment portfolio, falls within a threshold for short-term capital gains or losses.

However, **Arena** discloses a system, method, and computer program product for dynamic, cost effective reallocation of assets among a plurality of investment [Abstract,]. **Arena** further discloses rebalancing so as to minimize transaction costs including capital gains taxes (short and long term), tax penalties, income taxes, surrender charges, commissions, and transaction fees [0076].

Therefore, it would have been obvious to a person having an ordinary skill in the art at the time of the instant invention to modify **Schulz's** disclosure *to account for short-term capital gains* as taught by **Arena** because it reduces costs incurred due to short-term capital gains [**Arena** 0076].

18. Regarding **claim 2**, **Schulz, Arena** and **Wallman** teach all the items of claim 1, the claim upon which this claim depends. **Arena** further teaches: wherein the at least one security to be sold is identified based on a difference between securities in the investment portfolio and a target portfolio.

Arena discloses asset allocation models with recommended allocation percentages between stock and bonds based on potential for capital growth and exposure to risk [0006]. **Arena** in turn discloses a system, method, and computer program product for rebalancing assets to achieve a composite asset allocation model, [0021]. Examiner interprets composite

asset allocation model as an example of Applicant's target portfolio. Examiner notes that rebalancing assets in a portfolio includes buying and selling of securities accordingly.

Therefore, it would have been obvious to a person having an ordinary skill in the art at the time of the instant invention to modify **Schulz's** disclosure to include a composite asset allocation model as taught by **Arena** because such a model would help achieve desired asset allocation for a particular type of investor - aggressive, balanced or conservative - based on potential for capital growth and exposure to risk **[Arena** 0006, 0076].

19. Regarding **claims 4 and 14**, **Arena** teaches:

- comprising identifying a plurality of securities to be sold in connection with the rebalancing of the investment portfolio based on a difference between securities in the investment portfolio and a target portfolio.

as discussed in the rejection of claim 2. Accordingly, these claims are rejected for the same reasons as claim 2.

20. Regarding **claims 5 and 15**, **Arena** teaches:

- the plurality of securities to be sold are identified by allocating the securities to be sold to at least one tax lot associated with the securities to be sold and computing an implied total short-term capital gain or loss that would result from the sale of the plurality of securities from the at least one tax lot.

as **discussed** in the rejection of claim 2.

As discussed in the rejection of claims 1 and 13, the claims upon which these claims depend, **Arena** further discloses rebalancing so as to minimize transaction costs including those due to taxes on short and long term capital gains taxes [0076]. Examiner notes that while **Arena** does not specifically disclose computing short-term capital gains or losses, this

computation is inherent in the system. Examiner asserts **Arena** would not be able to rebalance so as to minimize transaction costs without computing short-term capital gains or losses.

Accordingly, these claims are rejected for the same reasons as claims 4 and 14, the claims upon which these claims depend.

21. Regarding **claims 9 and 19, Schulz** teaches:

- rebalancing the investment portfolio if [sic] a total short-term capital gain or loss for the year, which would result from the rebalancing of the investment portfolio, falls with a threshold for short-term capital gains or losses.

Schulz discloses that periodically, preferably at a time exceeding the minimum interval required by internal revenue service wash sale rules, each of the securities in the investment portfolio are automatically evaluated for tax loss harvest purposes [column 2, lines 45-50].

Examiner notes that "periodically" includes the term "for the year" as claimed by the Applicant. This time frame is also a statement of intended use. As per MPEP 7.37.09: a recitation of the intended use of the claimed invention must result in a structural difference between the claimed invention and the prior art in order to patentably distinguish the claimed invention from the prior art. If the prior art structure is capable of performing the intended use, then it meets the claim.

These claims are substantially similar to claim 3 and therefore are rejected for the same reasons.

22. Regarding **claims 10, 11, 20 and 21**, the limitations:

- the threshold for short-term capital gains or losses is about 2% of the value of investment portfolio's assets (claims 10 and 11);
- the threshold for short-term capital gains or losses is defined by an investor (claims 20 and 21).

are statements of intended use as discussed in the rejection of claims 9 and 19. Therefore, these claims are rejected for the same reasons as claims 9 and 19.

23. Claims 6 – 8, 12, 16 – 18, and 22 are rejected under 35 U.S.C. 103 (a) as being unpatentable over **Schulz** in view of **Wallman** in further view of **Arena**, in further view of **Francis** ("Mutual-Fund Records Pay Off at Tax Time", Wall Street Journal. (Eastern edition), New York, N.Y., Nov 16, 2001. pg. C1).

24. Regarding **claims 6 and 16**, **Schulz, Wallman** and **Arena** teach all the items of claim 5, the claim upon which this claim depends. **Schulz, Wallman** and **Arena** do not teach:

- allocating the securities to be sold beginning with an earlier tax lot of a plurality of tax lots and proceeding to a later tax lot; or
- allocating the securities to be sold beginning with a tax lot of a plurality of tax lots having a higher cost basis and proceeding to a tax lot with a lower cost basis.

However, **Francis** teaches using first-in, first-out accounting, or FIFO, to figure the cost of shares sold in an investor's account [abstract, 1st paragraph]. **Francis** discloses that investors usually calculate their gains or losses using their average purchase cost for the fund they are selling [full text, 4th paragraph] but may also determine fund gains or losses using specific share identification, also called a "versus sale" or a "specified lot" sale, allowing investors to pick which lots of shares to sell [full text, 7th paragraph]. Examiner interprets a "specified lot" sale as allowing an investor to arbitrarily choose between tax lots as claimed by Applicant.

Therefore, it would have been obvious to a person having an ordinary skill in the art at the time of the **Schulz's** invention to allow investors to pick which lots of shares to sell as taught

by **Francis** because doing so allows investors to choose which cost basis to use when determining taxes on capital gains [full text, 7th paragraph].

25. Regarding **claims 7 and 17**, **Francis** teaches:

- the plurality of securities to be sold is allocated randomly to a plurality of tax lots.

As discussed in the rejection of claims 6 and 16 above, **Francis** teaches that investors usually calculate their gains or losses using their average purchase cost for the fund they are selling [full text, 4th paragraph]. Examiner interprets average purchase cost for the fund they are selling as being allocated randomly to Applicant's tax lots in that the investor is not picking which lots of shares to sell either to avoid short-term capital gain or by way of FIFO.

Therefore, it would have been obvious to a person having an ordinary skill in the art at the time of the **Schulz's** invention to allow investors selling securities to randomly allocate securities to a plurality of tax lots as taught by **Francis**. By doing so, an investor/ taxpayer can avoid the nuisance of record keeping [full text, 8th paragraph], although it may not be the most cost effective technique when trying to avoid short term capital gains.

26. **Claims 8 and 18** are substantially similar to claims 6 and 16 respectively, and therefore are rejected for the same reasons.

27. **Claims 12 and 22** are substantially similar to claims 7 and 17 respectively, and therefore are rejected for the same reasons.

28. Claims 23 and 24 are rejected under 35 U.S.C. 103 (a) as being unpatentable over **Schulz** in view of **Wallman** in further view of **Arena** in further view of **Official Notice**.

29. Regarding **claims 23 and 24**, neither **Schulz, Wallman** and **Arena** explicitly discloses:

- the short-term capital gain or losses which would result from the rebalancing of the investment portfolio is computed as a sum of the short-term gain or losses of each of the at

least one investment portfolio security to be sold in connection with a rebalancing of the investment portfolio.

However, **Schulz** *does* disclose an *accounting system* which maintains account position data, historical transaction information, tax lots for individual securities, and past value pricing information for tax loss harvesting purposes [column 7 lines 1 – 18]. Examiner takes **Official Notice** that one having ordinary skill in the art at the time of **Schulz's** disclosure would use summing short-term gain or losses of each investment portfolio security to be sold. Doing so would allow an investor to keep track of his overall portfolio's short-term gain or losses.

Conclusion

The prior art of record and not relied upon is considered pertinent to Applicant's disclosure:

- **Frank et al:** "System and method for optimizing investment location", (US Patent No. 6,240,399).
- **Peterson:** "System and method for tax sensitive portfolio optimization", (US Patent No. 7,016,873).
- **Ammann, et al:** "Tracking error and tactical asset allocation", Financial Analysts Journal, Charlottesville, Mar/Apr 2001. Vol. 57, Iss. 2; pg. 32, 12 pgs.

Any inquiry concerning this communication or earlier communications from the examiner should be directed to Ed Baird whose telephone number is (571)270-3330. The examiner can normally be reached on Monday - Thursday 7:30 am - 5:00 pm Eastern Time.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Charles R. Kyle can be reached on 571-272-6746. The fax phone number for the organization where this application or proceeding is assigned is 571-273-8300.

Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see http://portal.uspto.gov/external/portal/pair. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free). If you would like assistance from a USPTO Customer Service Representative or access to the automated information system, call 800-786-9199 (IN USA OR CANADA) or 571-272-1000.

/Ed Baird/
Examiner, Art Unit 3695

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